

Message Text

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ACTION NEA-10

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DEPT PLEASE PASS TO USGS AND USBURMINES

E.O. 11652: N/A
TAGS: EMIN ETRD IN BEXP US
SUBJECT: ISLAND CREEK MEETING WITH GOI ON IMPORT OF COKING COAL

REF: STATE 039858

1. DURING ONE-DAY VISIT TO NEW DELHI BY PRESIDENT (FORMER SENATOR)
ALBERT GORE OF ISLAND CREEK COAL COMPANY (ICCC), HE MET WITH AMBASSAD
OR,
COMMERCIAL COUNSELOR AND RESOURCES ATTACHE. EMBASSY ALSO SET UP
APPOINTMENTS WITH KEY GOI OFFICIALS, INCLUDING STEEL AND MINES
MINISTER BIJU PATNAIK; JOINTSECRETARY K.P. KOSALA, DEPT. OF COAL,
MINISTRY OF ENERGY; AND R.P. BILLIMORIA, CHAIRMAN, STEEL AUTHORITY OF
INDIA LTD. (SAIL). GORE WAS ACCOMPANIED BY ICCC VICE PRESIDENT
METTALLURGICAL SALES, M.A. SOFO AND THE EMBASSY RESOURCES ATTACHE.

2. MEETING WITH MINISTER OF STEEL AND MINES LASTED 45 MINUTES.
GORE EXPRESSED HIS COMPANY'S INTEREST, AS THIRD LARGEST U.S. COAL
PRODUCER IN SAIL'S RECENT TENDER REQUEST FOR IMPORT OF ONE MILLION ME
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TONS (MT) OF LOW ASH COKING COAL. TO TAKE ADVANTAGE OF POSSIBLE EXCES
S
FREIGHT CARRYING CAPACITY ON RETURN VOYAGES OF COAL CARRIERS, ISLANAD
CREEK PROPOSED IMPORT OF STEAM COAL FROM INDIA, BUT WAS INFORMED INDI
A
HAD NO EXCESS STEAM COAL AT PRESENT. GORE ALSO STATED ICCC'S
WILLINGNESS ESTABLISH JOINT VENTURES WITH INDIA FOR DEVELOPMENT OF

COAL RESOURCES IN THIRD COUNTRIES, E.G. AUSTRALIA AND MOZAMBIQUE OR EVEN IN U.S. GORE SAID ICCC HAD ONLY RECENTLY COMPLETED SUCH A JOINT VENTURE IN U.S. WITH RUMANIA.

3. MINISTER PATNAIK'S MAIN CONCERN WAS COST. WHILE LOOKING FOR THE OPTIMUM BLEND OF DOMESTIC AND FOREIGN COKING COALS, THE MINISTER WANTED LOWEST ASH FOR LOWEST PRICE. PATNAIK SAID IT WAS ESSENTIAL TO TIE UP A NUMBER OF LONG TERM, LOW COST CONTRACTS FOR SUPPLY OF COKING COAL, BUT MADE NO COMMENT ON JOINT VENTURES. HE WAS ALSO CONCERNED WITH CUTTING STEEL COSTS. HE ANTICIPATED THIS FIRST TENDER FOR ONE MILLION MT OF LOW ASH COKING COAL AS ONLY THE BEGINNING. HE ESTIMATED INDIA'S STEEL PRODUCTION AT 15 MILLION MT BY 1981/82, WHICH WOULD THEN PERHAPS DOUBLE BY END OF CENTURY. PATNAIK SAID IMPORT OF COKING COAL IN ANY VOLUME CALLED FOR SIGNIFICANT PORT IMPROVEMENTS, OWING PRESENT LACK OF MECHANICAL COAL UNLOADING FACILITIES. VISHAKHAPATNAM, PROPOSED SITE FOR STEEL PLANT TO BE BUILT BY SOVIETS, AND PRADEEP WERE MENTIONED AS THE POSSIBLE COAL PORTS. IN VIEW OF FREIGHT COSTS FROM US, MINISTER DOUBTED THAT ISLAND CREEK'S PRICES COULD BE COMPETITIVE. HOWEVER, ISLAND CREEK OFFERED TO UNDERTAKE STUDY OF COAL BLENDS USING COMPUTER MODELLING TO ILLUSTRATE OPTIMUM EFFECT ON STEEL PRODUCTION.

4. SUBSEQUENT MEETINGS WITH DEPARTMENT OF COAL AND SAIL OFFICIALS CONFIRMED SHORTAGE OF COAL FOR EXPORT AND PRESENT PORT RESITITIONS TO HANDLE COAL EXPORTS AS WELL AS IMPORTS. ACCORDING TO SAIL'S TECHNICAL DIRECTOR, THE QUESTION OF IMPORTING LOW ASH COKING COAL UNCLASSIFIED

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HAD BEEN UNDER CONSIDERATION FOR SOMETIME BUT ONLY AS RESULT OF INDIA'S FAVORABLE FOREIGN EXCHANGE POSITION WAS IT NOW POSSIBLE.

5. COMMENT: ISLAND CREEK OFFICIALS WERE WELL RECEIVED BY GOI. WHILE COMPANY VIEWS ITS CHANCES REMOTE OF SUPPLYING COAL FOR THIS FIRST TENDER, THE TRIP TO INDIA WAS CONSIDERED WORTHWHILE. SOFO BELIEVED TENDER SPECS HAD BEEN WRITTEN WITH AUSTRALIAN COAL IN MIND, BUT SAIL DENIED HAVING ALREADY TESTED AUSTRALIAN COAL. NEVERTHE

- LESS, WE ARE AWARE THAT THEIR COAL HAS BEEN UNDER CONSIDERATION BY IN DIA

FOR SOME TIME. IN OUR VIEW, BY SENDING CHAIRMAN AND SENIOR TECHNICAL EXPERT, ICCC HAS ESTABLISHED CREDENTIALS WITH GOI FOR POSSIBLE FUTURE SALES. SHOULD ICCC UNDERTAKE COMPUTER MODELLING OF COAL BLENDS, WHICH MINISTER WELCOMED, WE BELIEVE THIS WOULD FURTHER ADVANCE ICCC POSITION HERE.

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